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Responses to Questions to NGOs from Chairman Dingell
and Chairman Boucher, February 27, 2007

The United Mine Workers of America (UMWA) is pleased to have the opportunity to respond to the questions about potential climate change legislation posed in the February 27 letter to NGOs by Chairman Dingell and Chairman Boucher.

The UMWA has participated actively as an NGO in all international negotiations under the UN Framework Convention on Climate Change (FCCC) since the 1992 Rio Treaty. We also have been active in the development of climate change positions with our fellow union affiliates of the AFL-CIO. No other union stands to be more directly or adversely affected by climate change policies than the UMWA.

We hope that the questions posed by Chairmen Dingell and Boucher will mark the opening of a dialogue on this critical issue of national energy and environmental policy. An ill-advised legislative response to climate change could threaten the loss of millions of American jobs, impair our international competitiveness, raise energy prices to unprecedented heights, and do little to affect meaningful change in future global concentrations of greenhouse gases or related impacts on global temperatures or sea levels.

The inability of the United States to meaningfully affect future GHG concentrations stems mainly from the dual failures of the UN FCCC international negotiating process: 1) to fulfill the Convention's objective to set a long-term target for stabilization of greenhouse gases that will prevent "dangerous" anthropogenic interference with climate; and 2) to engage rapidly growing developing nations such as China, India, Mexico and Korea in long-term commitments to reduce the rate of growth of their greenhouse gas emissions.

The FCCC process has not yet begun to debate an appropriate long-term atmospheric stabilization target, due in large measure to opposition from developing nations to the "Second Review of Adequacy of Commitments under Articles 4.2 (a) and (b)" initiated at the 4th Conference of the Parties to the FCCC in Buenos Aires in 1998. This review, intended to assess the adequacy of commitments by all parties to the FCCC in light of the best available science, was suspended at COP-4 due to opposition from China and other developing nations. It has remained a footnote on the official agendas of all subsequent COPs. Absent meaningful participation by rapidly growing developing nations in a global program to reduce greenhouse gas emissions, actions by the U.S. and other industrial nations can at most slow the future rate of growth of GHG atmospheric concentrations, with little effect on climate.

The UMWA therefore recommends a cautious approach to any unilateral commitments by the U.S., in order to preserve our negotiating strength in future FCCC deliberations. Only the United States has the wherewithal to bring China and India into a long-term global agreement bounded by the FCCC's equitable principle of "differentiation of commitments" and guided by a common goal to achieve a long-term atmospheric stabilization target for GHG concentrations. Until such a target is negotiated in good faith by all parties, setting unilateral U.S. greenhouse gas emission reduction targets is directly analogous to setting emission rate limits for stationary and mobile sources under the Clean Air Act before EPA has established National Ambient Air Quality Standards.

Question 1: Please outline which issues should be addressed by the Committee's legislation ...

The actions that the Committee takes should be guided by the two Senate resolutions respecting climate change: the 2005 Sense of the Senate Resolution sponsored by Senator Bingaman, and S. Res. No. 98, the "Byrd-Hagel" resolution adopted unanimously by the Senate in 1997, prior to the negotiation of the Kyoto Protocol.

Each of these Senate resolutions emphasizes that any legally binding constraints on greenhouse gas emissions should not adversely impact the U.S. economy. The 2005 Senate Resolution recommended enactment of "market-based limits and incentives on emissions of greenhouse gases" that "will not significantly harm the United States economy" and "will encourage comparable action by other nations ..." (151 Cong. Rec. S7033, June 22, 2005). The UMWA strongly endorses these fundamental objectives.

The AFL-CIO's Energy Task Force recently adopted recommendations on climate change legislation. The AFL-CIO position recommends a gradual approach to the reduction of U.S. GHG emissions:

"(T)he AFL-CIO supports balanced measures to combat global warming. However, the federation opposes extreme measures that would undermine economic growth, harm particular sectors, or placing ourselves at a disadvantage to other nations. We believe any approach for addressing greenhouse gas emissions must be done upstream on an economy-wide level, with contributions from each sector in proportion to the greenhouse gas emissions of that sector. Any mandatory tradable-permits program should initially seek to gradually slow the growth in greenhouse gas emissions, and should also contain a "safety valve" cost cap to protect the economy. In addition, U.S. efforts to address climate change should be conditioned on similar actions by U.S. trading partners and developing countries.

Any auction of carbon permits should be reasonable in scope and must assure that no sector is disproportionately burdened. The revenues generated should be primarily targeted to finance improvements in technology that will allow clean energy to be produced at prices close to what consumers pay for energy from conventional sources, and to encourage deployment of this technology in a manner that promotes domestic production and jobs for American workers. This includes incentives for conversion to clean coal technology, carbon capture and sequestration, domestic production of advanced technology vehicles and their components, energy efficiency and renewable energy resources. We also recognize that hydro and nuclear energy are non-carbon emitting types of generation that also help maintain energy diversity in the electric utility industry."[1]

The UMWA supports in principle the approach to greenhouse gas emission reductions reflected in the "Keep America Competitive Global Warming Policy Act," co-sponsored by Representatives Udall and Petri, and in Senator Bingaman's 2005 and 2007 proposed cap-and-trade initiatives. While we have reservations about specific aspects of these proposals, discussed in more detail below, their overall approach toward "slowing, stopping, and reversing" U.S. greenhouse gas emissions offers a viable means to reduce both the "carbon intensity" and rate of growth of U.S. GHG emissions, without imposing severe harm on our economy or threatening large-scale loss of jobs and steep energy price increases.

EIA's analyses of the current Bingaman proposal and S. 139, the original McCain Lieberman bill rejected by the Senate in 2003, underscore the differences between measures that seek to reduce the carbon intensity of U.S. GHG emissions and those seeking to return U.S. emissions to an arbitrary baseline year such as 1990:

[1] AFL-CIO Energy Task Force, "Jobs and Energy for the 21st Century" (February 2007).

EIA estimates of energy price impacts of the Bingaman proposal and S. 139 (Percent change from reference case)

	Bingaman (2030)	S. 139 (2025)
Retail gasoline	+5%	+27%
Electricity	+11%	+46%
Natural gas (industrial)	+15%	+79%

Sources: U.S. Department of Energy, Energy Information Administration, "Analysis of Senate Amendment 2028" (May 2004), and "Energy Market and Economic Impacts of Reducing Greenhouse Gas Intensity with a Cap-and-Trade System" (January 2007, phased auction scenario.)

The larger emission reductions required by S. 139 would generate greater impacts on fuel prices than the Bingaman proposal. Under S. 139, electricity and industrial natural gas prices increase by 46% and 79%, respectively, relative to the EIA 2025 reference case. The corresponding increases under Senator Bingaman's proposal are 11% and 15% by 2030. The projected increase in retail gasoline prices under S. 139 in 2025 is 27%, some five times larger than the Bingaman projection for 2030.

EIA's analyses of S. 139 suggest the magnitude of macroeconomic impacts associated with reducing U.S. carbon emissions to 1990 levels – the initial reduction phase in several bills currently before Congress. EIA found that increasing energy prices would induce cyclical behavior in the economy, with substantial output (GDP) and employment losses. By 2025, EIA estimated that the wholesale price index for energy would increase by 57% relative to the reference case. The wholesale price index for producer prices would rise by 9%, while the consumer price index would increase by 2.5%.

The U.S. economy is affected negatively by higher energy prices. EIA's analysis of S. 139 concluded that "there is a steady negative impact on the long-run supply potential of the economy as all segments adjust to the new pattern of energy use." The cumulative loss of GDP under S. 139 is estimated at $1.35 trillion by 2025, without discounting, or $507 billion with a 7% discount rate.

The macroeconomic impacts of the Bingaman proposal are less severe, reflecting its emphasis on achieving improved efficiency in emissions per dollar of GDP and its safety valve price mechanism. EIA estimates that the Bingaman proposal would reduce cumulative discounted GDP by $232-462 billion over the period 2009-2030. This range of impacts reflects different assumptions about the allocation of emission allowances. The smaller GDP impact is based on a partial, phased auction of allowances, starting with

an auction of 10% of allowances in 2012, rising to 38% by 2030. The larger GDP impact would result if all allowances were auctioned from the outset of the program.

In view of the major differences in the prospective economic and energy price impacts of carbon intensity proposals, such as those favored by Reps. Udall and Petri and Senator Bingaman, and proposals seeking to quickly return U.S. emissions to 1990 levels (or below), the UMWA urges the Committee to focus its attention on crafting a bill based on realistic targets for reducing the rate of growth of GHG emissions, utilizing cap-and-trade mechanisms, and a safety valve price for reducing the risk of harm to the economy, workers and consumers.

Question 2: Issues regarding cap-and-trade ...

a. Which sectors should it cover? Should some sectors be phased-in over time?

Climate change legislation should cover all emitting sectors of all six greenhouse gases covered by the Kyoto Protocol in a cap-and-trade framework similar to that proposed by Reps. Udall and Petri and Senator Bingaman, with realistic targets for the annual improvement of U.S. greenhouse gas intensity per dollar of GDP. Several phases of increasing rates of improvement per dollar of GDP may be appropriate.

We do not favor the phase-in of requirements for particular sectors, because a reasonable initial start point for the allocation of emission allowances and the onset of emission intensity targets should provide all sectors of the economy with sufficient time to adopt measures to meet target efficiency improvements. We recommend a period of at least 7 years between enactment and implementation of economy-wide targets for GHG efficiency improvements.

b. To what degree should details be set in statute or delegated to another entity?

Climate change legislation should be as detailed as practicable on issues such as emission targets and timetables, the allocation of allowances among emitting sectors, the potential auction of allowances, and the uses of proceeds therefrom.

c. Should the program's requirements be imposed upstream or downstream or some combination thereof?

The UMWA favors an upstream allocation of allowances to coal producers, oil refiners and importers, and natural gas transmission entities, similar to that proposed by Senator Bingaman in 2005. An upstream allocation would avoid the complexities of downstream allocations to energy-consuming entities, potentially reaching all the way to individual residential and transportation energy users. The desired effects of a downstream allocation – such as promoting energy efficiency and conservation – may be

achieved more simply and directly by a carbon tax. The UMWA likely would not support a carbon tax due to its regressive nature.

Much attention is being given to "hybrid" allocation approaches. Both the Udall-Petri proposal and Senator Bingaman's current draft proposal propose allocations to various non-emitting entities, such as states, with allowances given to electric utilities and to coal producers. We understand that these proposals would retain an upstream point of regulation, while allocating allowances downstream to emitting and non-emitting entities. Senator Bingaman's proposal, for example, would give coal producers 7% of the allowances, with 30% going to electric utilities. In effect, coal producers would be required to purchase the remainder of their allowance needs from utilities or from auctions, since utilities would not have regulatory responsibility.

We recommend that the point of regulation be the same as the point of allowance allocation, similar to the Title IV acid rain program and every other major federal cap-and-trade program implemented under the Clean Air Act, including EPA's 1998 NOx SIP Call and the 2005 Clean Air Interstate Rule.

In the case of coal-based electric utilities, separating the point of regulation from the point of allowance allocation makes little administrative sense, and poses potentially serious compliance and enforcement difficulties. If coal producers do not receive a full upstream allocation of allowances, the point of regulation should shift entirely to utility consumers of coal. Utilities already have made the capital, management and personnel investments necessary to monitor and report CO2 emissions, and to manage allowance-based compliance under the Title IV program. Each operating electric generation company has a Designated Representative for reporting allowance transactions and compliance to U.S. EPA. Most generating entities have highly skilled allowance trading departments, requiring little additional expertise to manage compliance with a GHG reduction program.

Placing compliance in the hands of coal producers is another matter. For all but the largest coal producers, there is little expertise in managing or accounting for allowance transactions. For the hundreds of very small coal producers scattered throughout Appalachia and the Midwest, managing and complying with emission allowance regulations literally would occur at the family kitchen table. In many instances, correspondence to and from U.S. EPA would occur through mailboxes on rural delivery routes.

In addition, electric utilities are better positioned than coal operators to achieve efficiency improvements leading to reductions of greenhouse gas emissions and emissions intensity. Utilities can improve the efficiency of existing generating units by a variety of means, shift to advanced clean coal technologies with higher thermal efficiencies, etc. Coal operators are unable to change the carbon content of coal or reduce carbon emissions by "efficiency" improvements.

d. How should allowances be allocated? By whom? What percentage of the allowances, if any, should be auctioned? Should non-emitting sources, such as nuclear plants, be given allowances?

We favor the demonstrated, successful means of allowance allocation employed in the Title IV acid rain program, with allowances allocated at no cost to emitting sources by U.S. EPA. The existing Title IV and CAIR allowance programs provide a strong institutional capability at U.S. EPA for administering a GHG allowance program.

As noted in the AFL-CIO position, any allowance auctions should be limited in scope and the proceeds should be dedicated to advance technologies needed to comply with GHG targets. Excessively large allowance auctions (e.g., greater than 10%) likely would add unacceptable uncertainty to industry financial planning for new clean energy investments, deterring improvements in GHG emissions intensity.

Non-emitting entities such as nuclear plants, as well as state governments, should not receive allowance allocations. Providing allowances to nuclear plants is simply a wealth transfer, requiring fossil plants to purchase allowances from non-emitters. States should not be given allowance allocations due to the likelihood that such allowances would simply be auctioned, adding to any general auction set-aside. States also could come under pressure to retire allowances, reducing the supply of allowances and creating competitive imbalances among states.

e. How should the cap be set (e.g., tons of GHG emitted, CO2 intensity?)

As discussed above, the UMWA recommends adoption of GHG emissions intensity targets. These targets can be converted to allowable tons of emissions for various emitting sectors. The carbon intensity improvement targets in the current Udall-Petri and Bingaman proposals appear reasonable and achievable.

The UMWA opposes mandatory caps based on historic baseline emissions such as 1990, due to the severe economic disruptions associated with premature retirement of capital stock, and the likelihood of large-scale fuel-switching to lower-carbon alternative fuels such as natural gas. EIA's analyses of S. 139, the 2003 McCain-Lieberman bill, show that returning U.S. emissions to 1990 levels by 2020 could result in the loss of 60% to 80% of total U.S. coal production. With recent increases in the price of natural gas, the U.S. is simply not in position to risk large-scale disruption of its reliance on coal for more than 50% of electric generation.

f. Where should the cap be set for different years?

See (e), above.

g. Which greenhouse gases should be covered?

All six greenhouse gases covered by the Kyoto Protocol should be included.

h. Should early reductions be credited?

The UMWA takes no position at this time on early reduction credits.

i. Should the program employ a safety valve? If so, at what level?

A safety valve mechanism, as supported by the AFL-CIO Energy Task Force, is essential to prevent undue economic and employment harm. Safety valve prices in the Udall-Petri and Bingaman proposals appear reasonably suited to achieve the desired degree of protection. The safety valve should provide for the issuance of allowances by the U.S. Government, and should not merely expand the availability of emission offsets. Escalation of safety valve prices also should be linked to acceptable levels of GHG emission limitation commitments by major developing nations.

j. Should offsets be allowed? If so, what types of offsets? What criteria should govern the types of offsets that would be allowed?

A broad menu of domestic and international offsets should be allowed, ranging from terrestrial carbon sequestration to project-related offsets. The U.S. is not bound by the Kyoto Protocol, and is in position to provide substantial flexibility in the means available to meet GHG efficiency targets. Expanding offset opportunities to international markets could stimulate the development and export of advanced clean coal and other energy technologies to developing nations.

Criteria for the availability and use of offsets should be developed by regulation, based on general statutory guidelines describing acceptable offset mechanisms.

k. If an auction or a safety valve is used, what should be done with the revenue from those features?

The UMWA recommends that high priority be given to recycling auction revenues to support accelerated development of advanced clean coal technologies and commercial-scale development and demonstration of carbon sequestration methods.

l. Are there special features that should be added to encourage technological development?

We support development of a new, off-budget mechanism supported by fees or taxes on fossil fuels to accelerate essential development and demonstration of carbon sequestration methods. Additional funding on the order of $10 billion is needed to ensure that carbon sequestration is available as a viable carbon mitigation technology as efficiency targets are ramped up. The UMWA would be pleased to discuss alternative options for off-budget funding for carbon sequestration with the Committee.

m. Are there design features that would encourage high-emitting developing countries to agree to limits on their greenhouse gas emissions?

Limits on safety valve price escalation should be linked to actions by major developing nations. Other approaches, such as imposing tariffs on the carbon content of exports from developing nations, also should be considered. A specific trade-based proposal developed by the International Brotherhood of Electrical Workers and American Electric Power Company is attached.

3. How well do you believe existing authorities permitting or compelling voluntary or mandatory actions are functioning?

The UMWA is concerned that the growing number of states enacting mandatory climate change legislation, such as California AB 32, will produce a patchwork quilt of inconsistent state regulation, similar to the various state acid rain laws enacted prior to Title IV of the 1990 CAAA. Mandatory, national climate change legislation should contain specific preemption language to ensure a level playing field among states and regions.

4. How should potential mandatory domestic requirements be integrated with future obligations the United States may assume under the 1992 FCCC? How should any U.S. domestic regime be timed relative to any international obligations? Should adoption of mandatory domestic requirements be conditioned upon assumption of specific responsibilities by developing nations?

These questions necessarily involve speculation about the future course of international negotiations under the 1992 FCCC. The U.S. has set itself apart from signatories to the Kyoto Protocol, and is not a party to negotiations under Article 3.9 concerning reduction commitments for the second Kyoto budget period (2013-2017). The legislation under consideration by the Committee potentially could provide the bases for further U.S. commitments under the FCCC, independent of the ratification status of the Kyoto Protocol.

Developing an appropriate linkage of U.S. commitments to developing country actions is vital to the economic, trade and national energy security interests of the United States. The U.S. cannot assume that an aggressive unilateral commitment to GHG reductions would elicit comparable responses from major Asian trading partners. A more

gradual course of U.S. commitments, such as Udall-Petri, would preserve U.S. negotiating flexibility while international pressures mount for global actions to address climate change.

A potential avenue for integrating national climate change legislation within the framework of U.S. commitments under the FCCC may evolve from the informal multilateral discussions approved at COP-11 in Montreal in 2005. These discussions, involving all parties to the FCCC, are designed to explore longer-term paths for meeting the objectives of the Convention, potentially leading to the negotiation of post-Kyoto instruments.

The dialogue process approved at COP-11 is intended as a forum to "exchange experiences and analyze strategic approaches for long-term cooperative action to address climate change that includes: a) advancing development goals in a sustainable way; b) addressing action on adaptation; c) realizing the full potential of technology; and d) realizing the full potential of market-based opportunities."

The U.S. and major developing countries agreed to participate in this dialogue subject to the explicit understanding that the process "will not open any negotiations leading to new commitments." This language, adopted again in Nairobi at COP-12 in 2006, mirrors the exemption from new commitments that developing nations secured at COP-1 in the 1995 Berlin Mandate. The Berlin exemption assured that developing countries would not be required to accept any emission reduction commitments in the Kyoto Protocol.

In Montreal, developing nations agreed that the dialogue should identify "approaches which would support, and provide enabling conditions for, actions put forward voluntarily by developing countries that promote local sustainable development and mitigate climate change in a manner appropriate to national circumstances." These approaches may include "means to promote access by developing countries to cleaner and climate-friendly technologies."

The very limited nature of developing country commitments under the FCCC, and the restrictions on prospective new commitments under the Montreal dialogue, suggest that developing nations are a decade or more away from any meaningful agreements to reduce their rate of growth of GHG emissions. The implications of such delayed engagement for global CO2 emissions and concentrations are summarized in the below analysis of global emission pathways to meet alternative CO2 concentration targets ranging from 400 ppm to 550 ppm. In sum, it appears that the unwillingness of major developing nations to assume emission limitation commitments under the FCCC has foreclosed all pathways other than those achieving a 550 ppm target. The 550 ppm pathways allow global emissions to increase until 2030 to 2040, and then require sharp decreases.

These considerations further support the "slow, stop, and reverse" approach to U.S. GHG reductions endorsed by the AFL-CIO Energy Task Force, and embraced by the Bingaman and Udall-Petri proposals. Further, until the U.S. has successfully demonstrated commercial-scale carbon sequestration technologies, we are not in a position to accept major, near-term reductions of GHG emissions without the risk of severe energy market and job dislocations.

3.1 What are the emission corridors that lead to specific CO_2 stabilization levels?

As a first step we consider the emission corridors from 2002 onwards that lead to specific stabilization using the emission paths as described above. Figure 1 (left) provides the global CO_2 emission stabilization corridors for 400ppmv, 450 ppmv and 550 ppmv CO_2 concentration compared to the emission range of the IPCC SRES scenarios. The thick lines for each corridor are two exemplary paths, one increasing as fast as possible, one increasing as slow as possible. The shaded area is the envelope over all possible paths.

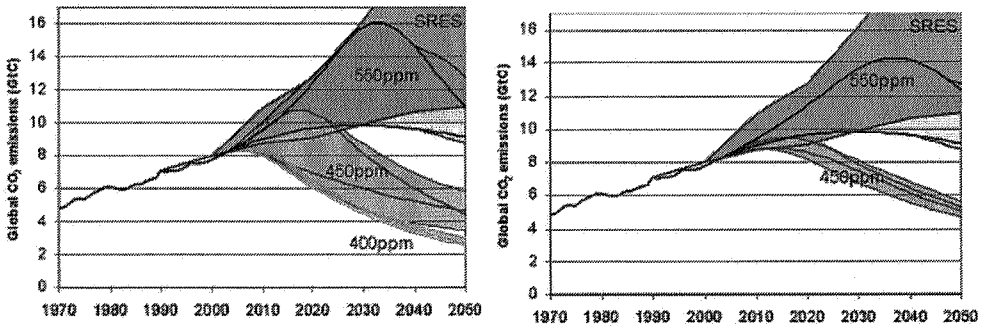

Figure 1. Global CO_2 emission corridors leading to 450 and 550 ppmv CO_2 concentration in comparison to the future emissions under the IPCC SRES scenarios at maximum 3% change and 0.5 percentage points trend change per year (left). Sensitivity for 2% / 0.25 (right)

With our methodology we find that for 400 ppmv global CO_2 emissions have to decline immediately and rapidly at 3% per year for several decades. Stabilization at 400 ppmv can only be reached, if the CO_2 concentration exceeds 400 ppmv slightly in the middle of the century. Otherwise no paths towards 400 ppmv would have been found. For 450 ppmv, global CO_2 emissions have to peak around 2020 and then decline rapidly. In 2020 most of the SRES range is above the 450ppmv range. For all paths, emissions in 2050 have to be well below 1990 levels. For 550 ppmv, emissions may increase and peak between 2030 and 2040 and then decline. The steep increase shown here for 2010 to 2030 has to be compensated by a steep decrease of -3% per year over several decades afterwards.

If only a 2% change in emissions per year and a trend change of 0.25 percentage point is allowed, stabilization corridors become much narrower (Figure 1 right). Under these conditions, staying below 400ppmv is not possible. The 450 corridor is much narrower, emissions peak between 2010 and 2020 and decline at –2% per year for several decades. The 550 corridor has its maximum at a lower point at 14 GtC around 2040. At annual change of 2% and trend change of 1 percentage point per decade, we do not find a path that leads to 450 ppmv.

Source: N. Hohne, Impact of the Kyoto Protocol on Stabilization of Carbon Dioxide Concentrations (2005); see, http://www.stabilisation2005.com/posters/Hohne_Niklas.pdf

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Trade Is The Key To Climate Change

COMMENTARY

BY MICHAEL G. MORRIS AND EDWIN D. HILL

If there's one lesson to be learned from the Kyoto Protocol--an approach the U.S. Senate rejected in a 95–0 vote--it is that we cannot deal meaningfully with global climate change without simultaneously addressing the ramifications for trade and employment here at home. As the debate on climate change again heats up in Congress, it is time to address the interconnection between these global issues and replace the failed Kyoto approach with one that protects the environment and provides economic opportunities and jobs.

The United States should lead the effort to negotiate a successor treaty to Kyoto, which expires in 2012. The caps and provisions in a new treaty cannot cause serious harm to the U.S. economy and must have broad bipartisan support. It must address the fact that imposition of emission controls by some, but not all, major emitting nations disrupts the competitive trade balance between nations and inappropriately shifts jobs to countries without emission controls, where manufacturing costs will be less.

Accordingly, the new treaty should require that allowances--emissions credits--accompany exports from major emitting nations that have not joined a post-Kyoto global cap-and-trade framework or otherwise capped their emissions, in order to cover the emissions generated by the manufacture of those exports.

As a party to a post-Kyoto agreement, the United States would already be in compliance with this provision. Other major emitting countries, if they refuse to join a new treaty or cap their emissions, would, however, be required to provide emissions allowances for their exports to the United States or any complying nation.

In the best tradition of American free market cap-and-trade policies, this would equalize global trade with regard to climate change, and be a powerful incentive for nations to join a new global regime. Other major emitting nations would likely join rather than buy huge numbers of allowances, while deriving even greater benefits from cleaner development through treaty participation.

Similar trade provisions should form the basis for any legislation limiting domestic greenhouse emissions. This legislation would require a federal determination as to whether, by date certain, other major emitting nations have joined the global effort. If not, and in response, the legislation would automatically require that allowances accompany imports from such nations, or alternatively, an agency could suspend or reduce the stringency of the domestic program until those nations join.

Without such a legislative program, the U.S. would have little leverage to negotiate with rapidly developing nations. If Congress fails to include these provisions, it would abdicate its responsibility for dealing with climate change as a global problem because our own greenhouse gas emissions would be capped while other nations' emissions would rapidly increase and damage the environment.

Including such measures in any future treaty or domestic legislation would help break the impasse caused by Kyoto, which applied emissions caps only to industrialized nations. The Senate overwhelmingly rejected the Kyoto approach nine years ago. Our proposal addresses Kyoto's central flaw, and prevents non-participating nations' intransigence from holding the global environment hostage. It encourages major emitting countries to join us, while ensuring that we are not hurt by cheaper exports from uncapped nations.

Ironically, even some Kyoto parties are now expressing similar concerns. Jacques Chirac, president of France, recently proposed that the next post-Kyoto climate treaty include a border tax on imports from nations lacking carbon controls. Peter Mandelson, the European Union Trade Commissioner, agrees that trade needs to be addressed, but believes that border taxes would be "highly problematic under current World Trade Organization rules and almost impossible to implement in practice."

Our proposal directly reduces greenhouse gases to diminish environmental harm. By contrast, border taxes don't do so. Because the use of allowances is required for both capped and uncapped nations, our proposal is more consistent with the WTO and superior to border taxes that apply only to uncapped exporters.

We welcome economic growth throughout the developing world. A more prosperous world benefits all humanity. However, we must also responsibly address the climate challenge posed by that growth. China's emissions will surpass America's in 2009. To unilaterally cap America's emissions, while ignoring other major emitting nations, is a fatally flawed approach, which would compromise our competitiveness, jeopardize American jobs, and harm the global environment.

Making the climate-trade linkage would empower the United States with the necessary carrots and sticks to lead a successful international solution. The old Kyoto approach failed. A new approach is long overdue.

—Michael G. Morris is Chairman, President, and Chief Executive Officer of American Electric Power, Edwin D. Hill is International President of the International Brotherhood of Electrical Workers.